

**State of Alaska
FY2006 Governor's Operating Budget**

**Department of Revenue
Alaska State Pension Investment Board
Component Budget Summary**

Component: Alaska State Pension Investment Board

Contribution to Department's Mission

The mission of State Pension Investment Board is to manage state pension funds.

Core Services

Invest the funds of the state defined-benefit pension plans:

- Public Employees Retirement System
- Teachers' Retirement System
- Judicial Retirement System
- Alaska National Guard and Alaska Naval Militia Retirement System

Select and monitor appropriate investment options for the Supplemental Benefits Annuity Plan and the Deferred Compensation Plan.

End Results	Strategies to Achieve Results
<p>A: Improve the risk adjusted return of funds under the stewardship of the ASPIB by continually improving investment returns.</p> <p><u>Target #1:</u> Exceed 1-year and 5-year target returns. <u>Measure #1:</u> Actual returns compared with target returns reported by consultant.</p>	<p>A1: Recognize possible improvements to asset allocation decisions through evaluation of greater diversification by expanding the number of asset classes. (NOTE: Asset allocation is the single largest contributor to total return.)</p> <p><u>Target #1:</u> Perform in-depth education on and analysis of at least one investment approach. <u>Measure #1:</u> Number of new investment approaches that the board evaluates annually.</p>

FY2006 Resources Allocated to Achieve Results							
<p>FY2006 Component Budget: \$4,144,400</p>	<p>Personnel:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Full time</td> <td style="text-align: right;">0</td> </tr> <tr> <td>Part time</td> <td style="text-align: right;">0</td> </tr> <tr> <td>Total</td> <td style="text-align: right; border-top: 1px solid black;">0</td> </tr> </table>	Full time	0	Part time	0	Total	0
Full time	0						
Part time	0						
Total	0						

Performance Measure Detail

A: Result - Improve the risk adjusted return of funds under the stewardship of the ASPIB by continually improving investment returns.

Target #1: Exceed 1-year and 5-year target returns.

Measure #1: Actual returns compared with target returns reported by consultant.

Analysis of results and challenges: PERS 1 yr return data

2002 actual -5.48 target -4.36

2003 actual 3.82 target 3.41

2004 actual 15.08 target 15.18
 2005 N/A

PERS 5 yr return data

2002 actual 4.57 target 4.90
 2003 actual 2.54 target 2.54
 2004 actual 3.29 target 3.60
 2005 N/A

TRS 1 yr return data

2002 actual -5.49 target -4.36
 2003 actual 3.81 target 3.41
 2004 actual 15.09 target 15.18
 2005 N/A

TRS 5 yr return data

2002 actual 4.60 target 4.90
 2003 actual 2.55 target 2.54
 2004 actual 3.29 target 3.60
 2005 N/A

Judicial 1 yr return data

2002 actual -2.75 target -3.33
 2003 actual 3.95 target 5.62
 2004 actual 15.21 target 15.18
 2005 N/A

Judicial 5 yr return data

2002 actual 5.16 target 5.18
 2003 actual 3.35 target 3.24
 2004 actual 4.47 target 4.21
 2005 N/A

Military 1 yr return data

2002 actual -2.13 target -1.69
 2003 actual 6.27 target 7.77
 2004 actual 10.72 target 8.20
 2005 N/A

Military 5 yr return data

2002 actual 5.47 target 5.63
 2003 actual 3.96 target 4.09
 2004 actual 4.39 target 4.17
 2005 N/A

A1: Strategy - Recognize possible improvements to asset allocation decisions through evaluation of greater diversification by expanding the number of asset classes. (NOTE: Asset allocation is the single largest contributor to total return.)

Target #1: Perform in-depth education on and analysis of at least one investment approach.

Measure #1: Number of new investment approaches that the board evaluates annually.

N/A

Year					YTD
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Analysis of results and challenges: The Board will continue to evaluate new asset classes at their annual educational workshop.

Key Component Challenges

- Manage investment risk during times of increasing market volatility, while taking advantage of opportunities to increase returns.

Significant Changes in Results to be Delivered in FY2006

- The Treasury Division will expand its compliance function to include more in-depth review of external investment managers.

Major Component Accomplishments in 2004

- The funds had a positive 15.1% return for the year ended June 30, 2004.
- The Alaska State Pension Investment Board approved the addition of absolute return funds, agriculture funds and real estate investment trusts to help reduce the expected volatility of the total fund returns.

Statutory and Regulatory Authority

AS 14.25.180
AS 22.25.048(c)
AS 26.05.228(c)
AS 37.10.071
AS 37.10.210-AS 37.10.390
AS 39.35.080

Contact Information
<p>Contact: Susan Taylor, Director, Administrative Services Phone: (907) 465-2312 Fax: (907) 465-1685 E-mail: susan_taylor@revenue.state.ak.us</p>

**Alaska State Pension Investment Board
Component Financial Summary**

All dollars shown in thousands

	FY2004 Actuals	FY2005 Management Plan	FY2006 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	155.2	127.9	127.9
73000 Services	3,061.3	3,351.6	3,896.5
74000 Commodities	35.8	50.0	50.0
75000 Capital Outlay	8.3	70.0	70.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	3,260.6	3,599.5	4,144.4
Funding Sources:			
1017 Benefits Systems Receipts	99.0	99.0	199.0
1029 Public Employees Retirement System Fund	2,094.5	2,272.0	2,553.5
1034 Teachers Retirement System Fund	1,054.3	1,126.3	1,277.3
1042 Judicial Retirement System	10.6	25.0	31.6
1045 National Guard & Naval Militia Retirement System	2.2	77.2	83.0
Funding Totals	3,260.6	3,599.5	4,144.4

Estimated Revenue Collections

Description	Master Revenue Account	FY2004 Actuals	FY2005 Management Plan	FY2006 Governor
Unrestricted Revenues				
None.		0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0
Restricted Revenues				
Benefits System Receipts	51390	99.0	99.0	199.0
Restricted Total		99.0	99.0	199.0
Total Estimated Revenues		99.0	99.0	199.0

**Summary of Component Budget Changes
From FY2005 Management Plan to FY2006 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2005 Management Plan	0.0	0.0	3,599.5	3,599.5
Proposed budget increases:				
-Monitor investment compliance	0.0	0.0	104.6	104.6
-Move investment officers' salaries closer to market	0.0	0.0	60.0	60.0
-Increase in legal and other investment contractual fees	0.0	0.0	380.3	380.3
FY2006 Governor	0.0	0.0	4,144.4	4,144.4